



**December 2004**

## **Methodology and Timing of Higher Education Cost of Instruction Studies**

State law requires that the legislature be provided with standardized data on education-related expenditures by the state's universities and colleges.<sup>1</sup> Under RCW 28B.76.310, the Higher Education Coordinating Board (HECB) – in consultation with the higher education policy and fiscal committees of the legislature, the Office of Financial Management (OFM), the State Board for Community and Technical Colleges (SBCTC), and the public baccalaureate institutions – is required to develop standardized methods and protocols for measuring undergraduate and graduate educational costs. Four specific items are mentioned in this section: (1) costs of instruction, (2) costs to provide degrees in specific fields, (3) costs for pre-college remediation, and (4) state support for students.

Every four years since 1989-90, the HECB has conducted an education cost study that compiles expenditures for instruction by the universities and colleges. In addition, the HECB reports annually on state support for students in its "cost of instruction (disclosure)" report.

By December, the HECB is required to propose a schedule of regular cost study reports to the higher education and fiscal committees for their review. This draft document is part of an ongoing discussion with legislative and OFM staff, as well as higher education budget and institutional research staff, and is part of the process of developing the methodology and timing of the required reports. The board will make its recommendation to the legislature following the December meeting.

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<sup>1</sup> RCW 28B.76.310 speaks to "undergraduate and graduate educational costs." The HECB interprets "costs" to have the same meaning as "expenditures" – that is, the fiscal resources expended by an institution to provide a higher education. This is the same as the meaning used in the report of the National Commission on the Cost of Higher Education, "Straight Talk About College Costs and Prices" (January 21, 1998), where they defined "costs" as "what institutions spend to provide education and related educational services to students." Also, the National Association of College and University Business Officers (NACUBO), in their report "Explaining College Costs – NACUBO's Methodology for Identifying the Costs of Delivering Undergraduate Education" (February 2002), relies on historical expenditure data to calculate the annual cost of providing an undergraduate education. Their approach was to take information from existing financial statements.

The 2004 legislation allows for the HECB and institutions to review existing cost study criteria and procedures for determining costs, as well as propose a new schedule for regular cost reports. The legislative charge does not include an option for discontinuing the project itself.

There are considerable differences in opinion about the value of the HECB education cost study as an analytical tool. The cost study is not a funding model but rather a report of historical data. In addition, the cost study does not explain differences between costs among institutions at the disciplinary level. What the cost study does do is offer a tool to agency and legislative staff to assist in making policy and funding decisions.

The required reports are described below, along with a suggested schedule for each (the recommended scheduling of the report will depend on the cost reporting method chosen):

## **I. Education Cost Study (or Costs of Instruction)**

Most recently, this report was titled “2001-02 Education Cost Study; Higher Education Expenditures for Instruction.” It was last completed in spring 2003 (most recently revised in August 2004) for expenditures during the 2001-02 fiscal year. Produced every four years, the report provides detailed cost of instruction information for the state’s public two-year and four-year institutions. The cost analysis is based on expenditures drawn from two sources: state appropriations and tuition revenues. By using data gathered from each institution, the study summarizes the cost of instruction at the six public four-year schools, five branch campuses, and 34 community and technical colleges in Washington.

Information gathered from each institution is broken out in one of two ways:

- At four-year institutions, instructional costs are provided by level of instruction (both undergraduate [lower- and upper- division] and graduate) and by discipline.
- At two-year institutions, instructional costs are provided by type of instruction (academic, pre-college, and vocational) and by subject area cluster.

Both direct and indirect costs are included in the study:

- Direct costs include salaries and benefits of instructional faculty and staff, personnel who directly support the faculty, and supplies and equipment.
- Indirect costs include admissions, registration, student services not financed by the students’ services and activities fees, and a proportional share of libraries, administration, and facilities and maintenance.

Until 1995, the study was used to determine per-student instructional costs as a way for the state to set tuition and fees. Since 1995, the study has calculated the annual cost of instruction to

serve a variety of other needs, including cost analyses by the HECB, legislature, institutions, Office of Financial Management and others, as well as providing information to students. The four-year institutions have used a faculty activity report as one basis for evaluating costs. Faculty members at each institution reported how much of their instructional time was spent on each academic level – such as undergraduate (lower-division and upper-division) and graduate instructional levels – and each discipline. The faculty activity report used to be required by statute but is no longer mandated under the 2004 statutory changes.

For discussion purposes, below are three options for cost study reporting. These involve alternatives for reporting direct instructional costs and are different ways of collecting and reporting faculty costs. The reporting cycles vary based on the perceived ease of obtaining the necessary information. In all cases, the definitions and methodology for determining indirect costs remain the same.

- (1) “Business as usual”: As in the past, continue to allocate direct costs using the existing faculty activity analysis. The faculty survey instrument would remain standardized among the four-year institutions. The reporting schedule would remain the same as in the past – once every four years. The next reporting cycle would be 2005-06.
- (2) Simplify the faculty activity analysis. Two possible options are listed below:
  - (a) Survey a representative sample of faculty in each department during each cost-reporting year, instead of conducting a full faculty analysis survey.
  - (b) Adopt an agreed-upon factor by department to adjust contact hours for lower/upper-division and graduate level courses. This option would continue to allocate faculty costs based on faculty effort, both in and out of the classroom. Each department would reach a conclusion about the relative weighting of lower- and upper-division and graduate level courses. This weighting might be that upper-division effort is 1.5 times that of lower-division in the business department, and 1.75 times that of lower-division in the chemistry department. Each department would determine its own ratios. While this analysis would require some initial time and effort, once the factors are established it would not be revised unless conditions in a department changed significantly.

The reporting cycle could continue over the same four-year period, or could be adjusted if the workload of estimating faculty activities is significantly reduced.

- (3) Teaching loads: Use a method for allocating faculty (direct) costs based on teaching loads and student credit hours. Rather than attempting to allocate faculty effort based on a survey or expert opinion, it would be allocated based on the courses taught by a faculty member. The data could be reported at a lower discipline level, giving more detail than that currently used. Also, because this report most likely could be generated from existing databases, it could be done annually.

## II. Costs of Degrees

Unlike in previous years, the 2004 legislature requested that the HECB also measure the cost of providing degrees in specific majors. Because the accounting systems at the public institutions do not track expenditures by student, this cost can only be estimated. Simply, the proposal is to estimate the cost of a degree based on a graduating student's transcript, along with the cost per student credit hour by discipline (as determined in the cost of instruction study, item I. above). The cost of a degree by major would be estimated (1) for native students (those who started and completed their education at the same four-year public school) and (2) for transfer students from a Washington community or technical college who attended only one four-year public institution.

This method would require student transcript data for all students graduating in a particular year. Student transcript data also would need to be obtained for transfer students from Washington community and technical colleges. Student credit hours would be grouped into the disciplines outlined in the HECB education cost study and the cost of degree estimate would be based on student credit hours attempted. Credits attempted include courses completed, courses dropped after the 10<sup>th</sup> day, or courses failed. (A data limitation for the analysis would be students who took classes but never earned a degree.)

The number of majors for which a cost of a degree could be estimated would depend on the number of graduating students in that major. A decision needs to be made as to whether those majors graduating only a few students would be exempt from the cost of degree report or whether they would be assigned a cost at a discipline level higher than the specific majors.

The suggested time schedule is to make a report every four years, beginning with students graduating in 2005-06. Student credit-taking behavior is not expected to vary appreciably from year to year. It is suggested that the reporting year for the cost of degrees be staggered with the reporting of the HECB education cost study.

## III. Costs of Remediation

Another new report requested by the 2004 legislature is the cost of pre-college remediation.

- RCW 28B.10.685 requires each public four-year institution and the SBCTC to provide a report to the Office of the Superintendent of Public Instruction, the State Board of Education, and the Commission on Student Learning that includes information on the number of students enrolled in pre-college level classes and the name of the high school from which each student graduated.
- The SBCTC collects and annually reports enrollment data for remedial classes. That agency also estimates annual remediation costs, based on data from the HECB education cost study. Actual costs are determined for each year in which the HECB educational cost study is

conducted and an estimate is projected for each year in between. The estimate includes both direct and indirect costs.

- The costing methodology for remediation would need to be standardized for participating four-year institutions and the SBCTC to assure consistent reporting. It is suggested that the four-year institutions estimate the cost of remediation using the most current HECB education cost study data available. Beginning fall 2005, public four-year institutions are required to report to the Office of Financial Management the number of students taking remedial courses on-campus. Cost information from the HECB study will be used in conjunction with these enrollment numbers to arrive at an estimate of the cost of remediation by institution.
- Suggested schedule: Annual report due in December.

#### IV. Costs of Instruction (Disclosure Report)

RCW 28B.76.300 calls for an annual report to students on the amount of state support they receive. An estimate of the cost of instruction by institution is done annually using current year spending allotments, budgeted enrollments, and cost factors from the most recent HECB education cost study. If the cost study were to be revised, the disclosure report would need to be considered at the same time to ensure that data are available to complete this requirement. The proposed time schedule calls for maintaining the current reporting cycle of the fall of each year.

#### Cost Reports and Recommended Schedules

	Reporting Period	Reporting Due Date	Reporting Cycle	Cost Basis
<b>Education Cost Study</b>	2005-06	January 2007	Pending	
<b>Costs of Degrees</b>	2006-07 grads	January 2008	Every four years	2005-06 ECS
<b>Costs of Remediation</b>	Each year	December	Annually	Most recent ECS
<b>Costs of Instruction</b>	Each year	Fall	Annually	Most recent ECS

**RCW 28B.76.310**

**Development of methods and protocols for measuring educational costs – schedule of educational cost study reports.**

(1) The board, in consultation with the House of Representatives and Senate committees responsible for higher education, the respective fiscal committees of the House of Representatives and Senate, the Office of Financial Management, the State Board for Community and Technical Colleges, and the state institutions of higher education, shall develop standardized methods and protocols for measuring the undergraduate and graduate educational costs for the state universities, regional universities, and community colleges, including but not limited to the costs of instruction, costs to provide degrees in specific fields, and costs for pre-college remediation.

(2) By December 1, 2004, the board must propose a schedule of regular cost study reports intended to meet the information needs of the governor's office and the legislature and the requirements of RCW 28B.76.300, and submit the proposed schedule to the higher education and fiscal committees of the House of Representatives and the Senate for their review.

(3) The institutions of higher education shall participate in the development of cost study methods and shall provide all necessary data in a timely fashion consistent with the protocols developed.

**RCW 28B.76.300****State support received by students – information.**

- (1) The board shall annually develop information on the approximate amount of state support that students receive. For students at state-supported colleges and universities, the information shall include the approximate level of support received by students in each tuition category. That information may include consideration of the following: expenditures included in the educational cost formula, revenue forgiven from waived tuition and fees, state-funded financial aid awarded to students at public institutions, and all or a portion of appropriated amounts not reflected in the educational cost formula for institutional programs and services that may affect or enhance the educational experience of students at a particular institution. For students attending a private college, university, or proprietary school, the information shall include the amount of state-funded financial aid awarded to students attending the institution.
- (2) Beginning July 30, 1993, the board shall annually provide information appropriate to each institution's student body to each state-supported four-year institution of higher education and to the State Board for Community and Technical Colleges for distribution to community colleges and technical colleges.
- (3) Beginning July 30, 1993, the board shall annually provide information on the level of financial aid received by students at that institution to each private university, college, or proprietary school, that enrolls students receiving state-funded financial aid.
- (4) Beginning with the 1997 fall academic term, each institution of higher education described in subsection (2) or (3) of this section shall provide to students at the institution information on the approximate amount that the state is contributing to the support of their education. Information provided to students at each state-supported college and university shall include the approximate amount of state support received by students in each tuition category at that institution. The amount of state support shall be based on the information provided by the board under subsections (1) through (3) of this section. The information shall be provided to students at the beginning of each academic term through one or more of the following: registration materials, class schedules, tuition and fee billing packets, student newspapers, or via e-mail or kiosk.